

Message Text

CONFIDENTIAL

PAGE 01 STATE 062795
ORIGIN COME-00

INFO OCT-01 IO-13 ISO-00 STR-04 EB-08 ITC-01 TRSE-00
CIAE-00 INR-07 NSAE-00 INRE-00 /034 R

DRAFTED BY COMMERCE:WMERKIN:MCR
APPROVED BY STR:PTO'DAY
COMMERCE:DSCHLECHTY
COMMERCE:DBLANK
STR:PTO'DAY

-----220016Z 031130 /66

O 212330Z MAR 77
FM SECSTATE WASHDC
TO USDEL MTN GENEVA IMMEDIATE

C O N F I D E N T I A L STATE 062795

PASS TO FORREST AND MCNAMARA

E.O. 11652: GDS

TAGS: ETRD, MTN

SUBJECT: REPORT OF ISAC 8 MEETING MARCH 16-17, 1977

"BEGIN SUMMARY" DURING MEETING OF ISAC 8, MEMBERS REAFFIRMED THEIR CONCERN OVER FOREIGN TAX POLICIES, RESTRICTIONS ON THE SALE OR TRANSFER OF TECHNOLOGY AND OTHER SERVICES, ATTEMPTS TO ELIMINATE ASP, AND SUPPLY ACCESS PROBLEMS CONCERNING PETROLEUM AND RUBBER. MEMBERS ALSO EXPRESSED SPECIAL INTEREST IN THE UPCOMING DOMESTIC TARIFF EXCEPTIONS EXERCISE, AND ADOPTED A MORE FLEXIBLE POSITION ON THEIR RECOMMENDATION FOR NEGOTIATING TIRES AS A SECTOR. SPECIFIC HIGHLIGHTS OF THE MEETING FOLLOW:

1. TARIFFS - AFTER A LENGTHY DISCUSSION ON THE DIFFICULTIES OF ACHIEVING TARIFF "EQUALIZATION," MEMBERS STILL APPEAR TO

CONFIDENTIAL

PAGE 02 STATE 062795

SUPPORT THE EQUALIZATION OBJECTIVE. REPRESENTATIVES OF THE RUBBER INDUSTRY STRESSED THAT FOREIGN TARIFF CONCESSIONS WITH THE EXCEPTION OF CANADA ARE NOT MUCH BENEFIT TO THEM. THE PROCEDURES FOR THE EXCEPTIONS EXERCISE AND EXAMPLES OF THE DOMESTIC CRITERIA REQUIRED TO JUSTIFY REQUESTS FOR EXEMPTING AN ITEM WERE EXPLAINED TO THE ISAC. THE MEMBERS WILL ADDRESS THE ISSUE OF EXCEPTIONS IN DETAIL AT THEIR

NEXT MEETING WHEN THEY WILL ATTEMPT TO REACH AN ISAC CONCERN REGARDING THE IMPORT SENSITIVITY OF EACH ITEM WITHIN THEIR PURVIEW. IN ADDITION, THE ISAC MODIFIED ITS RECOMMENDATION OF USING 1964 OR 1967 AS THE BASE DATE FOR CONVERTING SPECIFIC TARIFF RATES TO AD VALOREM EQUIVALENTS FOR NEGOTIATING PURPOSES. THE MEMBERS WILL REVISE THEIR ADVICE AT THE NEXT MEETING AFTER ANALYZING THE EFFECTS OF USING 1972, 1973, 1974 AS THE BASE DATE FOR CONVERSION, BUT WERE CONCERNED WITH GOING BEYOND 1973 DUE TO RAPID PRICE RISES.

2. TAXATION - MEMBERS EXPRESSED CONCERN WITH TRADE-DISTORTING EFFECTS OF BORDER TAXES. DESPITE A PESSIMISTIC APPRAISAL OF ADDRESSING THE ISSUE IN THE MTN, THE ISAC CONTINUED TO PRESS FOR USG EFFORTS TO HAVE BORDER TAXES RAISED IN THE MTN AND OTHER APPROPRIATE FORA. IN ADDITION, FOREIGN TAX INCENTIVES, ESPECIALLY THEIR EFFECTS ON TRADE IN THIRD-COUNTRY MARKETS, WERE HIGHLIGHTED BY THE ISAC AS A MAJOR CONCERN. THE MEMBERS AGREED TO PROVIDE ADDITIONAL DETAILED INFORMATION CONCERNING THESE PRACTICES FOR DISCUSSION AT THE NEXT MEETING.

3. CUSTOMS - A REPRESENTATIVE OF THE RUBBER FOOTWEAR INDUSTRY EXPRESSED CONCERN THAT THE EC PROPOSAL FOR NEW INTERNATIONAL VALUATION RULES IS MERELY AN INDIRECT ATTEMPT ON THEIR PART TO ACHIEVE ELIMINATION OF ASP. MEMBERS WHOSE PRODUCTS BENEFIT FROM ASP (PLASTICS MATERIALS AND RUBBER FOOTWEAR) ALSO WARNED AGAINST USING A STRAIGHT MATHEMATICAL FORMULA TO CONVERT ASP TO A TARIFF AS WAS CONTEMPLATED IN THE KENNEDY ROUND. THESE MEMBERS URGED THAT THE ASP ISSUE BE KEPT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 062795

BE GIVEN APPROPRIATE INTERAGENCY CONSIDERATION BEFORE ANY COMMITMENT TO CONVERTING OR ELIMINATING ASP IS MADE.

4. SUPPLY ACCESS - THE ISSUE OF PRICING AND AVAILABILITY OF PETROLEUM, A KEY COMPETITIVE FACTOR FOR THESE INDUSTRIES WAS STRESSED. DESPITE BEING INFORMED OF THE UNLIKELIHOOD OF PETROLEUM BEING INCLUDED IN THE MTN, MEMBERS CONTINUED TO URGE USG EFFORTS TO KEEP THIS PROBLEM IN CONSIDERATION WHEN DEALING WITH THE ISAC'S INTERESTS IN THE MTN. ANOTHER CRUCIAL PROBLEM FOR THE ISAC IS THE ATTEMPT BY THE RUBBER CARTEL, LED BY MALAYSIA AND INDONESIA WHICH TOGETHER ACCOUNT FOR 85 PER CENT OF WORLD PRODUCTION, TO CONTROL THE LEVEL OF SUPPLY IN ORDER TO MANIPULATE PRICES. MEMBERS SUGGESTED IN THE CONTEXT OF THE TROPICAL PRODUCTS EXERCISE, THAT U.S. TARIFF CONCESSIONS ON PRODUCTS OF INTEREST TO THESE COUNTRIES BE USED AS LEVERAGE TO GAIN SUPPLY ACCESS COMMITMENTS. HOWEVER, THE LIMITED NATURE OF THE TROPICAL PRODUCTS EXERCISE WAS EXPLAINED TO THE ISAC.

5. SERVICES - A PRESENTATION WAS MADE TO THE ISAC OUTLINING THE FINDINGS AND RECOMMENDATIONS OF THE INTERAGENCY TASK FORCE ON SERVICES AND THE MTN. THE RECOMMENDATION THAT SERVICES BE INTRODUCED IN THE MTN ONLY IN A SELECTIVE FASHION AND THE FINDING THAT MOST SERVICES PROBLEMS ARE INVESTMENT RATHER THAN TRADE-ORIENTED WERE BOTH STRESSED. THE ISAC REACTED NEGATIVELY, HOWEVER, WHEN TOLD THAT MOST OF THE SERVICE PROBLEMS MENTIONED IN THE ISAR (TAX PROBLEMS WITH PAYMENTS FOR TECHNICAL SERVICES PROVIDED TO AFFILIATES IN VARIOUS LDCS) SEEMED RELATED MORE TO INVESTMENT THAN TRADE AND THEREFORE DID NOT SEEM TO BE APPROPRIATE ISSUES TO TAKE UP IN THE MTN. THE ISAC ARGUED THAT THESE ARE ACTUALLY RESTRICTIONS ON TRADE WHICH ARE PART OF THE OVERALL TRANSFER OF TECHNOLOGY PROBLEM WITH THE LDCS AND THAT THEY SHOULD BE BROUGHT UP ANYWHERE THAT IS APPROPRIATE, INCLUDING THE MTN. PLEASE THAT THE MTN IS BY AND LARGE NOT AN APPROPRIATE FORUM WERE IGNORED BY THE MEMBERS. ISAC
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 062795

MEMBERS WILL BE MAKING ADDITIONAL SUBMISSIONS ON SERVICES AND WILL PROBABLY WISH TO REVERT TO THE TOPICA AT THE NEXT MEETING.

6. SECTORS - REPRESENTATIVES OF THE TIRE INDUSTRY MODIFIED THEIR ADVICE THAT TIRES BE NEGOTIATED AS A SEPARATE SECTOR, STRESSING INSTEAD THAT THE KEY CONSIDERATION WAS THE ACHIEVEMENT OF THEIR OBJECTIVES, NOT THE TECHNIQUE IMPLEMENTED TO GAIN THEM. REPRESENTATIVES OF THE PLASTICS MATERIALS AND PROCESSED RUBBER INDUSTRIES CONTINUED TO URGE THAT THEIR PRODUCTS BE INCLUDED IN A CHEMICAL SECTOR, IF ONE IS ESTABLISHED.

7. OTHER ISSUES DISCUSSED BY THE ISAC INCLUDED THE RESTRICTIVE NATURE OF DISCRIMINATORY BILATERAL AGREEMENTS, EXPORT SUBSIDIES (THE ISAC REAFFIRMED ITS STRONG INTEREST IN AN INTERNATIONAL CODE OF CONDUCT ALONG THE LINES OF THE U.S. PROPOSAL), GATT REFORM, AND STANDARDS (THE ISAC AGREED TO PROVIDE ADVICE ON THE DRAFT CODE).

8. ISAC REACTION TO MEETING - MEMBERS OF ISAC 8 DESCRIBED THE MEETING AS THE MOST FRUITFUL AND SATISFYING SESSION SINCE THE INCEPTION OF THE ISAC PROGRAM. THE NEW FORMAT INDICATES THAT THE USG IS LISTENING TO THEIR CONCERNS. MEMBERS ALSO NOTED THE NEED FOR OTHER KEY GOVERNMENT AGENCIES, PARTICULARLY TREASURY AND STATE, TO BE PRESENT AT ISAC MEETINGS AND PARTICIPATE IN THE DISCUSSIONS.
VANCE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEE MEETINGS, TAXES, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE062795
Document Source: CORE
Document Unique ID: 00
Drafter: WMERKIN:MCR
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770096-1191
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770338/aaaabglr.tel
Line Count: 167
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 009bd4b4-c288-dd11-92da-001cc4696bcc
Office: ORIGIN COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3042400
Secure: OPEN
Status: NATIVE
Subject: REPORT OF ISAC 8 MEETING MARCH 16-17, 1977 \"BEGIN SUMMARY\" DURING MEETING OF ISAC 8, MEMBERS REAFFIRMED THEIR CONCERN OVER FOREIGN TAX POLICIES, RES TRICTI
TAGS: ETRD, MTN
To: MTN GENEVA
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/009bd4b4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009